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## FISCAL UPDATE Article

Fiscal Services Division

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### END OF SESSION – SF 2388 – TELECOMMUNICATIONS PROPERTY TAXATION

**Description.** [Senate File 2388](#) changes how telephone and cable company property is valued for property taxation purposes. Under the provisions of the Act as amended, beginning with assessment year (AY) 2022, assessment of telephone and cable company property for property taxation purposes would be restricted to the value of land and buildings. Also, all such property would be assessed at the local level and classified as commercial property. For AY 2019 through AY 2021, the Act provides for a phased-in property tax exemption for telephone and cable company property.

Under current law, the property of telephone companies is assessed by the Iowa Department of Revenue (centrally assessed).

By repealing Iowa Code chapter [433](#) and removing a corresponding reference in Iowa Code section [427A.1\(1\)\(h\)](#), the Act also makes available a sales and use tax exemption for machinery, equipment, and computers purchased by telecommunications companies that are centrally assessed under current law.

**Fiscal Impact.** [Senate File 2388](#) has the following projected State and local revenue impacts:

The assessment process change is projected to decrease property taxes paid by taxpayers by the following amounts:

- \$9.6 million in FY 2021.
- \$18.6 million in FY 2022.
- \$26.9 million in FY 2023.
- \$25.7 million in FY 2024 and after.

The decrease in the assessed value of telephone and cable company property results in the following projected increases in the State General Fund school aid appropriation:

- \$1.6 million in FY 2021.
- \$3.0 million in FY 2022.
- \$4.4 million in FY 2023.
- \$4.2 million in FY 2024 and after.

The decrease in property taxes paid by telephone and cable companies is projected to decrease the amount of tax revenue received by local governments (net of the increased school aid appropriation) by the following amounts:

- \$8.0 million in FY 2021.
- \$15.6 million in FY 2022.
- \$22.5 million in FY 2023.
- \$21.5 million in FY 2024 and after.

The sales tax exemption for telephone companies is projected to reduce State General Fund revenue by \$0.2 million in FY 2022 and \$0.4 million annually in FY 2023 and after.

**Enactment Date.** The Act was approved by the General Assembly on May 4, 2018, and signed by the Governor on May 17, 2018.

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